

# STATE OF THE WASHINGTON AREA OFFICE MARKET Q2 2016



**Net absorption of office space in the Washington Metro area was positive in the second quarter, at 294,000 SF.** Year-to-date office space absorption is positive 872,000 SF, which is just 32,000 SF shy of the total amount of net absorption of office space across the metro area in 2014 and 2015 combined.



**The overall office vacancy rate has finally begun to decline, decreasing 10 basis points to 11.3% in the second quarter.** The District of Columbia has the lowest vacancy rate at in the metro area at 6.8%. This compares with 14.0% in Suburban Maryland and 13.8% in Northern Virginia.



**Investment sales volume totaled \$945 million over 34 recorded transactions in the second quarter.** The market for office investment properties has cooled considerably since the beginning of the year. The average price/SF in the second quarter of 2016 was \$203/SF. This compares to an average price/SF of \$395/SF in the 2nd quarter of 2015.



**Office building construction activity remains subdued in the suburbs, but continues to ramp up in the District.** A total of 6.4 million SF of space is currently under construction, with 4.3 million of that amount going up in the District. Nearly all of the 1.9 million SF of new construction in Northern Virginia is proximate to Metro's Silver Line. In Suburban Maryland, new construction of office space remains extremely limited at just 200,000 SF.



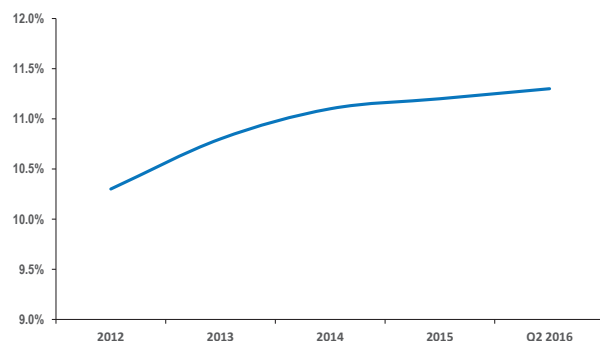
**Strong job growth continues, with 71,700 jobs added in the 12 months ending April 2016.** The rate of employment growth in the Washington metro area is outpacing nationwide job growth for the first time in more than five years.



**We project that the regional office vacancy rate will edge down from 11.3% to 10.6% over the next two years,** due to a combination of increasing demand and limited new construction.

## OVERALL DIRECT OFFICE VACANCY RATE

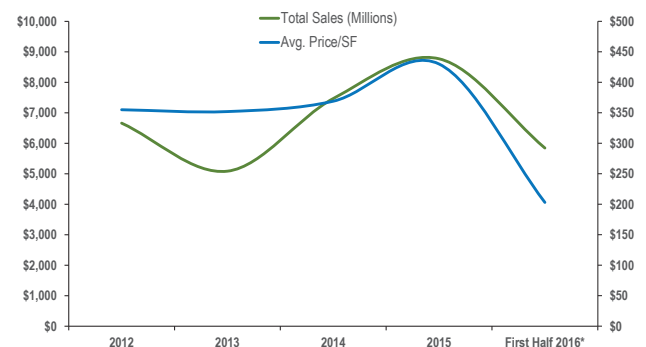
Washington Metro Area



Source: Delta Associates; June 2016.

## OFFICE INVESTMENT SALES

Washington Metro Area



\* Annualized  
Source: REIS, Delta Associates; June 2016.